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FM AMEMBASSY HARARE
TO RUEHC/SECSTATE WASHDC 2491
RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE
RUEHUJA/AMEMBASSY ABUJA 1849
RUEHAR/AMEMBASSY ACCRA 1777
RUEHDS/AMEMBASSY ADDIS ABABA 1903
RUEHRL/AMEMBASSY BERLIN 0486
RUEHBY/AMEMBASSY CANBERRA 1180
RUEHDK/AMEMBASSY DAKAR 1537
RUEHKM/AMEMBASSY KAMPALA 1959
RUEHNR/AMEMBASSY NAIROBI 4388
RHEHAAA/NSC WASHDC
RHMFISS/EUCOM POLAD VAIHINGEN GE
RUEHGV/USMISSION GENEVA 1030
RUFOADA/JAC MOLESWORTH RAF MOLESWORTH UK
RHEFDIA/DIA WASHDC

UNCLAS SECTION 01 OF 03 HARARE 000134

SIPDIS

AF/S FOR S.HILL
ADDIS ABABA FOR USAU
ADDIS ABABA FOR ACSS
NSC FOR SENIOR AFRICA DIRECTOR B.PITTMAN
TREASURY FOR J.RALYEA AND T.RAND
STATE PASS TO USAID FOR L.DOBBS AND E.LOKEN
COMMERCE FOR BECKY ERKUL

SIPDIS

E.O.12958: N/A
TAGS: [PGOV](#) [PREL](#) [ASEC](#) [PHUM](#) [ECON](#) [ZI](#)

SUBJECT: Zim Notes 2-08-2008

¶1. The Embassy Harare Political/Economic Section began producing Zim Notes in July, 2007 to present a perspective on current events in Zimbabwe. Suggestions are always welcome. If you would like to receive Zim Notes by email, as well, please contact Frances Chisholm at chisholmf@state.gov. Distribution is restricted to U.S. government employees.

¶2. Price Movements-Exchange Rate and Selected products
Parallel rate for cash: ZW\$6.4 million:US\$1; Bank transfer rate: Z\$7million; Official rate: ZW\$30,000:US\$1
Sugar steady at Z\$5 million/2kg vs. controlled price of Z\$247,000/2kg
Cooking oil rose to Z\$15.5 million/750ml vs. controlled price of Z\$440,000/750ml
Petrol and diesel steady at Z\$10 and Z\$9 million/liter respectively vs. Z\$60,000/liter at controlled price

On the Political/Social Front

¶3. Makoni Announces Candidacy... Simba Makoni stunned ZANU-PF this week by announcing he would be a candidate for president. As a rationale for his candidacy, he cited the desperate situation of the Zimbabwean people and the failure of national leadership. Although there had been speculation about a Makoni candidacy for weeks, he had reportedly told President Mugabe in January that he would not stand for the presidency. Makoni's immediate backers claim he has substantial support within ZANU-PF, particularly from the Mujuru faction, but he has not yet announced his backing, or whether he will run as an independent or as head of a new party. After the announcement, ZANU-PF expelled him from the party and state media lashed out at him as a tool of the West. While Makoni has offered a ray of hope to many Zimbabweans who have despaired of the MDC, particularly in light of its failure to reunify, it is too early to judge Makoni's strength or how the electorate will be split in a

three-person race between Makoni, Mugabe, and Morgan Tsvangirai. See Harare 096.

14. MDC Reconciliation Fails... The long-anticipated MDC reconciliation failed last weekend after the Tsvangirai-faction national council refused to adopt an agreement reached by standing committees of the two MDC factions on the allocation of parliamentary seats. The sticking point was the Tsvangirai faction's demand for more seats in Bulawayo. Both factions are now independently considering their next steps in the wake of Simba Makoni's announcement. See Harare 100.

15. GOZ Postpones Nomination Day And Extends Voter Registration Period... The government postponed the nomination date (when candidates must declare their intention to run and present requisite documentation) by a week to February 15 and extended the voter registration period to February 14. The government claims it postponed the date in order to allow all political parties to have more time to submit names of their candidates. Former Information Minister and current legislator Jonathan Moyo had filed a lawsuit against the GOZ on the basis that it had set the nomination date before publication of the final constitutional boundaries as required by the Constitution. Moyo told embassy officials he thinks the GOZ rushed to extend the nomination date to avoid the embarrassment of an adverse court ruling; others believe the GOZ postponed the date in the wake of Simba Makoni's announcement in order to give ZANU-PF time to vet candidates and nominate individuals supportive of Mugabe.

16. American Surgeons Coming Back To Perform More Cleft Palate Surgeries... Operation of Hope surgeons will return to Harare on their third visit in early April to perform free lip and cleft palate surgery on children.

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Economic and Business News

17. Liquidity Improves On The Back Of Monetary Policy Adjustments... Bank liquidity has improved on the money market with a forecast of about a Z\$11 trillion (US\$1,774,193 at Z\$6.4 million:US\$1) surplus on February 7, 2008. A survey of most banks found them to be benefiting significantly from the 10 percentage point reduction in statutory reserve requirements and the reduction in duration from 270 to 7 days of the zero-coupon non-negotiable certificates of deposit that mop up excess liquidity, announced by RBZ Governor Gono in his Monetary Policy Statement (MPS) of January 31. Moreover, the challenges bedeviling the electronic transfer of funds system (RTGS) in recent weeks appear to have abated somewhat, possibly due to volume relief from the twenty fold increase in allowed check amounts, also announced in the MPS. As a result, the market has been ending the day in balance and banks have not needed to resort to the RBZ's prohibitive accommodation rates of 1,200 and 1,650% for secure and unsecured borrowing respectively.

18. Colgate-Palmolive Pulls Out Of Zimbabwe... Colgate-Palmolive (Zimbabwe) is shutting down its laundry detergent and fabric conditioner plant and pulling out of Zimbabwe. According to the managing director, the past year's price control assault was the final blow following several downsizing exercises undertaken as the business environment deteriorated.

19. January Food Inflation Figures In... A leading local supermarket chain shared with us its food inflation study for January. Contrary to our own observations of very sharply rising prices, it showed the month-on-month rate of increase in prices having roughly halved for the baskets of both high and low-income earners. The annual rate of inflation remained at around 100,000% across incomes.

110. Newspaper Prices Soar... In another blow to access to information for making informed decisions ahead of the March 29 elections, Zimbabweans woke up to a quadrupling of newspaper prices last week, only days after newspaper companies announced a reduction

in the print run due to newsprint shortages. The government's mouthpiece, The Herald, now costs Z\$3 million, up from Z\$900 000; its weekly, The Sunday Mail, shot up to Z\$4 million from Z\$1.2 million. In the independent press, The Standard rose to Z\$5.6 million from Z\$1.2 million, while its sister paper The Zimbabwe Independent, like the Financial Gazette, is now selling at Z\$7.2 million, up from Z\$1.8 million.

¶11. Tobacco Crop Forecast Dropping; Uncertain Outlook For Winter Wheat... Commercial Farmers' Union (CFU) President Trevor Gifford told us this week, after completing a countrywide farm tour, that under the most favorable circumstances, the tobacco crop would probably only be about 55 million kg this year, down from 73 million kg last year and well off the GOZ's target of 120 million kg. Tobacco production peaked at 236 million kg in 2000. On winter wheat, only 60% of the farmers had been paid for last year's crop and the foreign exchange portion of payment, promised by RBZ Governor Gono in his mid-term Monetary Policy Statement of October 1, 2007, was only beginning to trickle in. Gifford said the GOZ's payment track record and low controlled prices gave no confidence to farmers to plant wheat this coming winter.

¶12. Falling Seed Maize Crop... The controlled price of seed maize (only a fraction of the world price) and the inadequate availability of inputs will result in a seed maize crop of about 20,000 MT this year against a national requirement of 35,000 MT plus 25% carry-over to cover re-planting, according to our contacts at the CFU and in industry. Zimbabwe, once a major seed maize exporter, will

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inevitably once again be forced to import seed maize in 2008--at world market prices.

¶13. More Commercial Farms Gazetted For Acquisition... Thirty-one commercial farms were listed for acquisition in a General Notice signed by Didymus Mutasa, Minister of State for National Security, Lands, Land Reform and Resettlement in the President's Office on February 1, 2008. The notice transfers ownership of the acquired land with full title to the State with effect from the date of publication of the notice.

¶14. Basal And Top Dressing Fertilizer In Short Supply... The FAO's Agriculture Coordination Working Group reported on January 31 that total imports of urea stood at 45,452 MT against a requirement of 764,000 MT, and a total of 51,568 MT of basal fertilizers had been imported as of 25 January 2008 against a requirement of 720,000 MT. Fertilizer companies and primary raw material suppliers continue to operate below capacity due to: prices lagging behind production costs despite a price review in December 2007; foreign currency shortages; phosphate shortages; power shortages; coal shortages; skilled/unskilled manpower shortages; and poor and deteriorating rail service.

¶15. Quote Of The Week From RBZ Governor Gono's Monetary Policy Statement of January 31, 2008:
"Some would want to simply look at our current high levels of inflation, foreign exchange shortages and other constraints and bay for the blood of the Central Bank Governor, but the substance of the matter is that without innovativeness and thinking and acting outside the box, things could have been worse under the decade-long spell of sanctions."

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